

**2002 Amendments to the NAIC Actuarial Opinion
and Memorandum Model Regulation**

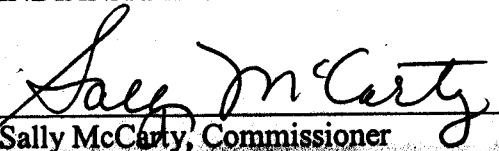
On September 11, 2002 the NAIC's Statutory Accounting Principles Working Group adopted revisions to NAIC Model Regulation 822, entitled "Actuarial Opinion and Memorandum Regulation" which requires all life insurance companies and fraternal benefit societies to submit actuarial opinions based on an asset adequacy analysis, commonly known as "Section 8 opinions". The adopted revisions were intended to be effective upon adoption and were incorporated into the most recent *NAIC Accounting Practices and Procedures Manual* ("the AP&P Manual"), specifically Appendix A-822 entitled "Asset Adequacy Analysis Requirements". Indiana's regulation, 760 IAC 1-57, includes an exemption for smaller life insurance companies and fraternal benefit societies to submit actuarial opinions which do not include an asset adequacy analysis, commonly known as "Section 7 opinions". Due to the changes to NAIC Model Regulation 822, there is currently a discrepancy between the AP&P Manual and Indiana's regulation.

Although Ind. Code. § 27-1-3-13 requires insurance companies doing business in this state to submit to the Department statutory financial statements prepared in accordance with the most recent AP&P Manual, the AP&P Manual is not intended to preempt Indiana's regulatory authority. Therefore, pursuant to 760 IAC 1-57 Indiana domestic life insurance companies and fraternal benefit societies may submit Section 7 opinions with their 2002 Annual Statements if they meet the exemption criteria of 760 IAC 1-57-6 and the Commissioner has not directed them to file a Section 8 opinion. However, if filing a Section 7 opinion instead of a Section 8 opinion affects a company's statutory surplus or risk-based capital as of December 31, 2002, Statements of Statutory of Accounting Principles (SSAP) 1 requires the company to disclose the following information in the Notes to the Financial Statements of its 2002 Annual Statement:

1. A description of the accounting practice which departs from NAIC accounting practices and procedures;
2. A statement that the accounting practice differs from NAIC accounting practices and procedures; and
3. The monetary effect on net income and statutory surplus of using an accounting practice which differs from NAIC accounting practices and procedures.

Please see Appendix A-205 to the AP&P Manual for an illustration of these disclosure requirements. Please note that the Department intends to amend 760 IAC 1-57 to incorporate the revisions to NAIC Model Regulation 822 effective no later than December 31, 2003.

INDIANA DEPARTMENT OF INSURANCE


Sally McCarty, Commissioner